



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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Second District

ZEV YAROSLAVSKY
Third District

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Fifth District

April 29, 2005

To: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

WASHINGTON, D.C. UPDATE

FEDERAL FISCAL YEAR (FFY) 2006 BUDGET RESOLUTION

Last night, the Congress adopted the conference report to the Federal Fiscal Year (FFY) 2006 Budget Resolution (H. Con. Res. 95) along party lines on a 214 to 211 vote in the House and a 52 to 47 vote in the Senate. The budget resolution, which does not require the President's signature, sets spending and revenue targets to guide Congressional action on fiscal legislation.

Medicaid: The final budget resolution assumes at least \$10 billion in Medicaid cuts over the next five years, beginning in FFY 2007. It includes budget reconciliation instructions for the Finance Committee, which has jurisdiction over Medicaid in the Senate, to cut mandatory (entitlement) spending by \$10 billion over five years and for the Energy and Commerce Committee, which has jurisdiction in the House, to cut mandatory spending by \$14.734 billion.

The prior Senate version did not include any Finance Committee reconciliation cuts while the House version included \$20 billion in reconciliation cuts for the Energy and Commerce Committee. In comparison, the President's proposed budget would reduce Medicaid by \$20 billion over five years, including \$5.8 billion in savings from curbing the use of intergovernmental transfers and capping Medicaid reimbursement to government providers to no more than the cost of providing services, beginning in FFY 2007. Capping Medicaid reimbursement to government providers alone could result in a Medicaid revenue loss of \$240 million a year to the County.

The inclusion of budget reconciliation instructions increases the likelihood of legislation being enacted this year that would cut Medicaid. Because a reconciliation bill cannot be filibustered on the Senate floor, only a simple majority, not 60 votes, are needed to pass a reconciliation bill. Therefore, at least six Republican votes in the Senate would be needed to defeat a budget reconciliation bill, which has Medicaid cuts. The most recent budget resolution which included budget reconciliation instructions was in FFY 1997 when a budget reconciliation bill was enacted that cut Medicaid disproportionate share hospital funding.

House Ways and Means Reconciliation Instructions: The budget resolution includes budget reconciliation instructions for the Ways and Means Committee, which has jurisdiction over other low low-income entitlements, such as Temporary Assistance for Needy Families, foster care, and child support enforcement, to cut \$1 billion over five years. The Committee would have had to cut \$18.7 billion in the prior House version.

Discretionary Spending: The final budget resolution includes \$843 million for discretionary programs (excluding \$50 million for Iraq and Afghanistan) in FFY 2006, which is the same as in the House version and as proposed by the President. The Senate version had included \$848 billion. The budget resolution includes \$404 billion for non-defense discretionary programs in FFY 2006, which is \$4 billion below the enacted FFY 2005 level.

The budget resolution does not set funding levels for individual programs, which are funded through annual appropriations programs. The lower overall amount of funds available for non-defense discretionary programs, however, will make it more difficult to secure increased funding for County priorities, such as the State Criminal Alien Assistance Program and the Community Development Block Grant.

We will continue to keep you advised.

DEJ:GK
MAL:MT:hg

c: Executive Officer, Board of Supervisors
County Counsel
All Department Heads
Legislative Strategist